

[Rosemont Copper Company Letterhead]

Draft July 9, 2013

Suzanne Shields
Director
Pima County Regional Flood Control District
97 E. Congress, 3rd Floor
Tucson, AZ 85701-1797

**Re: Letter of Intent on Supplemental Water for Cienega Creek Natural
Preserve In Lieu Fee Mitigation Program**

Dear Ms. Shields:

This Letter of Intent is intended to memorialize discussions between the Pima County Regional Flood Control District (PCRFCF) and Rosemont Copper Company (Rosemont) concerning a supplemental water supply for the In Lieu Fee (ILF) mitigation project contemplated by PCRFCF and the Tucson Audubon Society to be created in Pantano Creek.

Rosemont has offered to use its best efforts to effectuate the following:

- Rosemont will proceed with the purchase of the Water Rights currently associated with the Del Lago Dam in accordance with the existing purchase option and sale agreement pending between Rosemont and the Seller.
- Pending the final purchase of the Water Rights, and in compliance with its agreement with the Seller, Rosemont will prepare an application to create a Managed Underground Storage Facility (MUSF) in Pantano Creek. Rosemont will reserve 412.3 acre feet per year of the Water Rights to use either for storage in the MUSF, or for an exchange of water to be stored in the MUSF, but in any event to commit to deliver 412.3 acre feet to the MUSF, generally in the area between the Del Lago Dam and Colossal Cave Road.
- 184.755 acre feet of this 412.3 acre feet to be delivered to the MUSF will come from the 1908 priority right to be acquired by Rosemont, and the remaining 227.545 acre feet will come from the 1933 priority right to be acquired by Rosemont.
- Rosemont and PCRFCF will cooperate with the Arizona Department of Water Resources to obtain the MUSF permit and determine appropriate loss factors for water storage in the MUSF due to evaporation and riparian transpiration. This “lost” water would ultimately accrue to the benefit of the ILF project.
- The MUSF is intended to begin accepting water releases in the first quarter of 2015 and to continue every year thereafter in perpetuity.

In addition to the foregoing, Rosemont will acquire the right to purchase and abandon an existing well (ADWR Well No. 55-602949) that is currently located near the Pantano

Dam and represents a possible point of diversion that could interfere with stream flow otherwise accruing to the ILF project. In exchange, PCRFC shall grant Rosemont the right to construct a well downstream of the Preserve, near Colossal Cave Road on land owned by PCRFC, together with legal access to the well site.

We believe that this MUSF will greatly enhance the ILF project by introducing significant additional quantities of Pantano Creek surface water into the area of the ILF project. The agreement by Rosemont to provide the earliest (1908) right to PCRFC as PCRFC's primary water right should alleviate any concern that in times of drought or other shortages PCRFC will have access to the base supply of 413 acre feet of water in almost all years.

This LOI is not binding on either party, and creates no legal obligations. It is intended merely as a statement of interest to proceed in good faith. Neither party will be bound to any obligation unless and until a formal agreement is prepared, approved and executed by the parties. We witness this statement by our mutual signatures below.

Rosemont Copper Company

By: _____
Jamie Sturgess

Its: _____

**Pima County Regional Flood
Control District**

By: _____
Suzanne Shields

Its: Director